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TAGS: [PARM](#) [PREL](#) [PTER](#) [KDEM](#) [KMPI](#) [KNNP](#) [KWMN](#) [SMIG](#) [ECON](#)
MUNC, MU
SUBJECT: SCENESETTER FOR VISIT OF NEA A/S WELCH TO MUSCAT
(DECEMBER 11-13)

REF: A. MUSCAT 1641 (NOTAL)
[1](#)B. MUSCAT 1630
[1](#)C. MUSCAT 1628
[1](#)D. MUSCAT 1599
[1](#)E. MUSCAT 1514

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b, d)

Summary

[1](#)1. (C) Embassy Muscat and I warmly welcome your visit to Oman. Oman remains a dependable friend and ally and cooperates with us on a wide range of subjects, although it prefers to maintain a low profile. Regional threat issues are a prominent concern for the Omani leadership; however, Oman's perspective on the threat posed by Iran often is different than that of the USG and even its GCC partners. Omani officials and the Sultan in particular, will be eager to hear your views on Iran and other key regional issues including Iraq, Lebanon and the Israeli-Palestinian conflict. Oman continues to be one of the most stable countries in the region. Efforts to increase citizen participation in government continue, but at a slow pace. Fueled by high oil prices, Oman is enjoying solid economic growth and a healthy budget surplus. The U.S.-Oman Free Trade Agreement should give a boost to Oman's ambitious economic diversification efforts. Your visit will present an opportunity to help prod the Omanis to move forward with efforts to combat trafficking in persons, and to improve their cooperation on MEPI programs outside the economic sphere. End Summary.

Regional Security Issues

[1](#)2. (C) While neither the political nor military leadership wants to describe Iran as a threat (they are quick to remind us that "Iran is not an enemy"), Omani officials have indicated -- including during Gulf Security Dialogue meetings in October (ref E) -- that they are very concerned with Iran's nuclear ambitions. They realize, for example, that a nuclear-capable Iran would likely spur Saudi Arabia, Egypt and other countries to pursue their own programs. Yet Oman is determined to protect its good relations with Iran, and continues to advocate dialogue, rather than confrontation, to discourage Tehran's nuclear activities. Senior Omanis advise us that bringing UN Security Council pressure against Iran may strengthen hard-line attitudes while closing the door to IAEA inspections. Nevertheless, Oman may slowly be coming around to viewing sanctions as the only recourse to halt Iran's nuclear weapons ambitions. Minister bin Alawi has previously urged the Iranians to adopt a more cooperative approach.

[1](#)3. (C) The Omani leadership remains concerned with Iraq's future and will want to hear your views on the situation

there. More importantly, they will likely press you on what new directions the U.S. may take in Iraq in the wake of the November election for the U.S. Congress and the release of the Iraq Study Group report. Though not a major financial donor (Oman pledged USD 3 million at the Madrid conference), Oman has supported our efforts to promote security and political stability in Iraq. Iraq's Foreign Minister met with his Omani counterpart in Muscat on November 14, 2005; the Omani government has completely forgiven Iraqi debt.

¶4. (C) Omani officials are also troubled by events in Lebanon and a perceived lack of movement in the Israeli-Palestinian peace process. The same holds true for Afghanistan/Pakistan, especially as Oman is seeing an increase in illegal smuggling of people (mostly migrant workers) and drugs coming from Afghanistan/Pakistan, often with Iranian involvement. Oman closed the Israeli Trade Mission in Muscat in 2000 during the Second Intifada, but supports the Roadmap process and still maintains good communications with Israeli officials.

¶5. (C) Oman and Saudi Arabia are the only GCC states that have not yet signed NATO's Istanbul Cooperative Initiative (ICI). Omani officials in Brussels, however, maintain regular - though infrequent - contact with NATO International Staff members, and representatives from Oman will participate in a NATO-ICI conference in Kuwait City on December 10-11. Minister bin Alawi told the Ambassador December 6 that Oman remains interested in ICI events and activities and would participate &as appropriate,8 but is not yet prepared to join formally.

Counter-Terrorism and Non-Proliferation

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¶6. (S/NF) The Sultanate has publicly condemned several high-profile terrorist attacks in the region, while stressing religious tolerance at home. The Omani security and intelligence services are professional, well-funded and motivated. While there have been no reported incidents of international or domestic terrorism in Oman, there were arrests of an Ibadi extremist group in 2005, members of which included military, clerical, and private citizens. One of those arrested was previously convicted in the attempted murder of two British nationals in two separate incidents, one in 2003 and one in 2004. Also in 2005, two Omani citizens accused of participation in extremist activities were repatriated from abroad, one of whom was arrested while attempting to conduct a suicide operation against coalition forces.

¶7. (S/NF) While Oman is continually challenged by the threat from extremists hiding among the significant and increasing number of economic migrants and narcotic smugglers that pass through Gulf countries, including Oman, there is little evidence that al-Qa'ida or other terrorist organizations transit Oman in significant numbers. Nevertheless, Oman with its relatively open and welcoming society and increasing numbers of Western tourists, remains vulnerable to terrorist attacks. Confident in its security forces and procedures, however, Omani officials naively continue to argue, "It can't happen here."

¶8. (C) Oman is an active participant in two port/cargo security programs sponsored by the USG: the Container Security Initiative (administered by the Department of Homeland Security), which pre-screens containerized cargo being shipped to the U.S.; and the Department of Energy's MegaPorts Initiative, which is working to install equipment at Omani ports to identify nuclear material. The Omani government has assured us of its adherence to the principles of the Proliferation Security Initiative (PSI), and sent observers to the PSI exercise "Anatolia Sun" in May. It declined, however, to participate in "Leading Edge" in

October, citing late notice and preparations for its upcoming GCC military exercises, and is reluctant to publicize its support for PSI.

Economic Highlights

¶9. (U) Oman's economy is based primarily on petroleum and natural gas, which are expected to account for 81% of the government's revenue in calendar year 2006. High oil prices in 2005 led to a record Omani budget surplus of USD 3.8 billion and GDP growth of 21.7 percent, despite a steady decline in oil production since 2001. Similar performance is expected this year. Oman actively seeks private foreign investors, especially in the industrial, information technology, tourism and higher education fields.

¶10. (C) The U.S.-Oman Free Trade Agreement was ratified by the U.S. Congress earlier this year and signed by the President on September 26 and by the Sultan days afterwards. The target date for implementation is January 1, 2007, although this will likely slip. The Sultan has a personal interest in the FTA and has instructed his ministers to actively work for its success. To reduce dependence on dwindling petroleum reserves, Oman has embarked on an ambitious industrialization and economic diversification program. Several billion dollars of U.S. investment have poured into Oman in the past few years, including from Dow Chemical (petrochemical complex), Bechtel (aluminum smelter) and Occidental Petroleum.

Democratic Reform/MEPI

¶11. (C) Oman recently commemorated the 25th anniversary of the establishment of its Consultative Council. It has since evolved into a bicameral body comprised of the Majlis al-Doula (appointed by the Sultan) and the directly elected Majlis al-Shura. The Majlis al-Shura has slowly been given expanded powers since its creation in 1991, including the right to review and propose changes to (but not veto) legislation, question ministers, and examine government financial plans. The Sultan himself is very interested in promoting citizen participation in government and creating transparent institutions that operate under the rule of law (ref A). Government officials contend that Oman's course of gradual democratic opening has helped preserve the country's stability and internal security - in marked contrast to events in some neighboring states - and accordingly appear to have no plans to accelerate the pace of political reform

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(refs B,C).

¶12. (C) Oman cooperates with post on several MEPI-funded programs. The Omani government is particularly supportive of MEPI projects in the economic sphere, such as workshops and training seminars to help Oman prepare for implementation of the U.S.-Oman FTA. Recently, however, the Omani government has put the brakes on several proposed activities. For example, the Council of Ministers rejected a women's empowerment program that had been designed with the enthusiastic backing of the Minister for Social Development. A workshop for civil society organizations, and an out-of-country seminar for Omani judicial officials, had to be postponed at the last minute when the Foreign Ministry failed to respond in a timely fashion to written requests for approval. Foreign Ministry officials have indicated that submitting an annual work plan of proposed MEPI activities for review by the Council of Ministers could prevent such problems in the future. Raising this subject with Minister bin Alawi could help emphasize the importance of MEPI to the USG and facilitate improved cooperation.

Trafficking in Persons

¶13. (C) Oman is currently on the Tier 2 Watch List with regards to trafficking in persons (TIP), the most significant current irritant in our bilateral relationship. The Ambassador and emboffs have discussed this issue on numerous occasions with senior Omani officials, and even prepared and distributed to relevant contacts a suggested action plan, to help Oman improve its anti-TIP regime. However, while the government firmly condemns trafficking, it has taken only limited steps to strengthen its efforts to combat TIP and has so far not followed our action plan recommendations (ref D). This foot dragging is likely due in large part to the government's failure to recognize the possible extent of trafficking involving Oman, as interlocutors often claim that migrant workers face fewer problems and enjoy better conditions in Oman than elsewhere in the Gulf. You can help reinforce post's engagement on this subject by stressing the USG commitment to fight TIP in the region and noting that inaction could unfortunately lead to Oman being placed in Tier 3.

MEDRC

¶14. (C) Muscat is the home of the Middle East Desalination Research Center (MEDRC), established in 1996 through the Middle East Peace Process multilateral working group on water resources. As the only active MEPP Track II institution in the Gulf, the Omani government attaches great significance to MEDRC and is very appreciative of the Secretary's recent letter of support to help commemorate its 20th anniversary. Oman remains concerned, however, over funding for MEDRC. Minister bin Alawi recently informed the Ambassador that current member nations will have to dig deeper in their pockets to keep the institution afloat if new members are not found to provide an infusion of cash. The Omani government sent a delegation to Berlin in August to lobby for German participation; the UAE has reportedly expressed &some interest8 in joining MEDRC as well. Minister bin Alawi may ask you for help in encouraging other countries, as well as private donors/foundations, to support MEDRC.

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